

FY 2008 Budget Presentation

Chairman York and Members of the Board,

As required by state code, I'm transmitting to you today my proposed fiscal plan for FY 2008. As you know the budget process is very important as it establishes funding priorities and allocates resources that support our overall goal to build and sustain a quality community for our citizens. The County's fiscal plan needs to align with the Board's comprehensive public services, land use, fiscal and economic development plans and strategies. Therefore, the proposed fiscal plan was guided by an assessment of where we stand today as a community and as a county government and the things we need to preserve and to enhance as we build our future.

The Loudoun Community

This year, as we celebrate Loudoun County's 250th anniversary, we can look back proudly on the county's long history and reflect on how we have arrived at where we stand today – a world-class community with a quality of life that is second to none. Loudoun has earned a reputation as an outstanding place to live and work. Loudoun is a vibrant community with strong business opportunities, a beautiful natural environment with scenic rural landscapes, diverse recreational choices, and historic towns and communities that together make our county a highly desirable location. It is this combination of business opportunity and quality of life that draws people to Loudoun. The 10,000 individuals who move to Loudoun and the nearly 300 businesses that establish a presence in our county each year are testimony to this fact, as is the 91 percent of our residents who rate Loudoun County's quality of life as “good” or “excellent.”

With Washington-Dulles International Airport as our international gateway, Loudoun has an extremely strong and vibrant economic environment. We are one of the wealthiest counties in

the nation, possessing a median family income of about \$98,000. Loudoun is globally competitive and is annually recognized as one of America's most attractive business environments. More than 9,000 businesses of all sizes, representing a broad range of industries, professions and trades, are located in our county. With over 147,000 jobs and an unemployment rate of 1.8%, Loudoun is considered a major employment center. We are a hub for technology, as demonstrated most recently by the opening of the Howard Hughes Medical Institute last year. Loudoun has positioned itself to be attractive to both major international business interests and small companies.

Loudoun County represents the best of both worlds in that our boundaries also contain vast areas of agriculture, forestry and open space. The county's rural economy is re-defining and strengthening itself by linking traditional agriculture with biotechnology, tourism and rural businesses. Our citizens have told us through the Countywide survey that the single best thing about Loudoun is its rural character, open space and beautiful countryside.

Loudoun is also a family-oriented community. Education of our children is among our highest priorities, as over 75% of local tax dollars support our first-rate public school system. A strong academic focus is evident in Loudoun's public and private schools, which also offer an abundance of extra-curricular activities to our youth. Our county is also home to nine colleges and universities that offer a broad range of programs and professional development opportunities.

Providing a safe environment for our residents is also a top priority, and we have been successful in that area as well. About 98% of Loudoun residents surveyed say they feel safe in their neighborhoods. Loudoun has first-rate fire and rescue and law enforcement services and has made a tremendous investment in these areas throughout the last 10 years.

Our county boasts an abundance of diverse recreational opportunities, including over 40 county and regional parks and 14 golf courses. We have many cultural activities, such as the Loudoun Symphony, the Loudoun Ballet and the Bluemont Concert Series. Loudoun is an increasingly popular venue for national youth sporting events, such as the Babe Ruth national baseball championships and the Pony Nationals softball championships. Equestrian activities and events attract riders and visitors from around the world. An increasingly vibrant community of artists, musicians and theater groups are also present in our County.

County Government - Building Quality Community

Our county government is fiscally sound and has a track record of strong financial management. Of the 3,141 counties in this country, we are one out of 23 to have Triple-A rating from all three major bond rating agencies. This places Loudoun in the top 1 percent in the United States and signifies that Loudoun is a first-class community that possesses the resources and commitment necessary to provide critical and important public services to those who live and work here.

We pride ourselves in being a responsive government that uses technology to make government services more efficient and accessible. The Center for Digital Government ranked Loudoun among the top ten counties nationwide in our population category for use of technology. The county website was named as one of the top 14 county websites in the nation by Computerworld magazine.

We protect the safety of those who live and work here through a strong law enforcement presence and a combined career and volunteer fire and rescue system. We offer quality, award-winning programs through our library system, our parks and services for those in need. We take care of our children, not only through our outstanding school system, but also through the

diverse programs of the Loudoun Youth Initiative and many other activities and services for young people.

We have a high quality workforce with employees who are dedicated to public service and who demonstrate the highest standards in professional conduct. We have employees who are experts in their fields, many of whom hold leadership positions in professional associations. We continue to receive awards and accolades for the excellent work of our employees. They are often invited to speak or showcase their innovations and service creativity at state and national conferences.

Challenges Facing Loudoun

Supporting and preserving a quality community is not without significant challenges. It is critical that we address these challenges.

Continued rapid population growth, accompanied by strong residential and commercial development, impacts every area of County government. Our current population of 273,000 will grow to over 300,000 by the year 2010. This intensive growth and development carries with it ever-changing service demands, needs and high expectations on the part of our citizens.

Transportation is one of our biggest challenges and is a growing concern among Loudoun residents. In our 2005 citizen survey 42 percent of respondents named traffic/transportation issues as their biggest concern - up from 28 percent in 2002. The business community has made clear that if we do not meet this challenge, economic activity in the county, and in the region, will begin to suffer.

Because the state is not meeting its commitment to provide adequate road infrastructure for this region, we find ourselves needing to address this issue at the local level. Last fall, for the first time, Loudoun County voters approved bond referenda to provide local funding targeted

towards designing and building roads. We have already taken strides in transportation by significantly enhancing our transit capabilities through the addition of 11 new commuter coaches, 5 park and ride lots and expanded bus routes. Over 600,000 passenger trips occurred on Loudoun's transit service last year, resulting in more than 19 million vehicle miles being removed from regional roads. We have enhanced our road network through the construction of several interchanges on Route 28 and we are expanding the number of our park and ride lots.

It is crucial that we continue to protect our residents and visitors with an effective public safety network through emergency preparedness and homeland security measures due to our proximity to Washington, D.C.. We must meet this challenge by continued coordination with neighboring jurisdictions and the national capital region as a whole, as well as through continued strong support for our public safety operations. Major public safety accomplishments in this Board's term included an update to the County-wide Emergency Operations Plan, adoption of a Fire and Rescue System Service Plan, adoption of a fire and rescue special tax district, construction of a new adult detention center, and two public safety centers.

We face many other key challenges in this dynamic environment:

- Addressing fiscal pressure due to continued declining support from the State and increasing reliance on local real estate taxes;
- Continuing to provide strong financial support to our school system to build and operate schools, providing top-quality education to our children;
- Constructing capital facilities sufficient to meet the public's needs;
- Building livable, mixed-use communities in which homes are easily accessible to jobs and recreational amenities, while protecting the environment and natural beauty of our county;

- Providing adequate and affordable housing so that our residents may live near their place of business;
- Attracting and retaining excellent employees in a highly competitive employment market.

Offering services and programs that address our challenges, maintaining the fiscal stability that has resulted in our AAA status, and spending taxpayer dollars wisely are priorities of the proposed 2008 fiscal plan. This plan represents an investment in our County's future.

In order to be successful in addressing the needs of our community, the county government must develop new initiatives and maintain and enhance the initiatives that we have begun. We need to improve accessibility to the government through online services and broadband technology, as well as to enhance our telework program. We need to cultivate more public-private partnerships, to include faith-based organizations and non-profit agencies in these efforts. The Loudoun Youth Initiative, the Economic Development Commission and its Cabinets and the Loudoun Health Council are but a few current examples of partnerships that facilitate effective community relationships in addressing the challenges facing us. Our partnerships now extend overseas as we continue our sister county relationship with Main-Taunus-Kreis in the Federal Republic of Germany, which provides for valuable exchanges between our public schools, strong business relationships and deeper cultural understanding.

The Proposed 2008 Fiscal Plan

My proposed fiscal plan follows the Board's direction last Fall to limit the impact of the FY 08 budget on residents' tax bills. As you know, land values play a major role in revenue projections. Although there are variations in different areas of the County, the average assessed value of a single family home in Loudoun decreased by 7% last year – the first decline

in residential property values since the early 1990s. During 2006, the total value of residential property, including new construction, remained flat, while commercial and industrial land values increased by 18 percent. However, we expect the total residential tax base to rebound and we anticipate a 7.4 percent increase during 2007.

The fair market value of taxable real property is projected to increase from \$62 billion as of January 1, 2006 to \$64 billion as of January 1, 2007 and an estimated \$69 billion as of January 1, 2008. These increases are significantly less than the County has experienced in recent years.

I limited budget enhancements to the most critical public safety programs and service needs. I reduced \$48 million from the nearly \$56 million in departmental requests - an 86 percent reduction. I am recommending a 3% reduction, or \$16 million, from the School Board's \$533 million local transfer request. However, this funding level provides the School System with nearly \$90 million more in operating funds than fiscal year 2007. During its FY 08 budget process, the School Board adopted a CIP that adds more than \$400 million to the Board of Supervisors adopted CIP for the same time period. Because of debt limitations, my proposed CIP is limited to capital facilities identified in last year's Board of Supervisors' adopted CIP plus the addition of the School's Advanced Technology Academy, additional funds for land acquisition for school projects and the County Government Center request for partnership proposal initiated by the Board of Supervisors. .

Financing a CIP of this magnitude is significantly increasing our debt payments and reducing our debt capacity. Debt payments in fiscal year 2007 total \$122 million and by fiscal year 2012 will rise to nearly \$208 million – a 71 percent increase. My proposed amended CIP utilizes all but \$13 million of the Board debt capacity guidelines from FY 07 – FY 12.

Proposed Enhancements

Public safety and emergency preparedness are also among the highest priorities of local government as we strive to keep our county safe and secure. Recommendations in the 2008 fiscal plan will help maintain effective emergency response in a combined career-volunteer fire and rescue system by adding career staff to Lansdowne, Middleburg and Hamilton, and we will heighten law enforcement presence in the community through additional resources in field patrol, criminal investigators and school resource officers.

Directing funds to address the many diverse human services' needs in the community is critical. Maintaining the Board's commitment to the Loudoun Youth Initiative, the proposed 2008 fiscal plan includes funds to continue youth programs at Cascades Library and the Purcellville Teen Center, as well as a new youth program at the soon-to-open Claude Moore Recreation Center. Resources to address caseloads and waiting lists in Health Services, Family Services and MH/MR/SAS are also recommended as part of the proposed 2008 fiscal plan.

Our employees are critical to the success of our county government and we are very fortunate to have a strong and committed workforce that strives for high quality public service. I think the citizens want our employees – teachers, firefighters, Sheriff's deputies and social workers – to live in the same community they serve. The County faces an ongoing challenge in recruiting and retaining highly qualified employees given the competitive market, the labor shortage and the high cost of living. My recommendation includes a 3% adjustment to the overall pay plan in addition to annual performance increases as a much needed investment in our employees.

Including the pay plan adjustment, the recommended County government budget enhancements total nearly \$13 million in new expenditures and \$900,000 in associated revenue,

for a net local tax funding increase of approximately \$12 million. The enhancements would create 114 new FTEs. Positions in public safety and human and community services account for 96 percent of the recommended enhancements.

Tax Rate

The impact on tax bills was of foremost concern in developing the 2008 fiscal plan. My proposed fiscal plan follows the Board's direction to advertise a real property tax rate that would limit the increase in average residential property tax bill to no more than five percent. My proposed budget limits the average increase to only two percent. Due to lower assessed values, this is possible with a 97.5¢ tax rate, which includes a 4.3¢ rate for the Fire and EMS Tax District.

As directed, I have also provided options for the Board to lower the rate to 95.5¢ (which would keep average residential tax bills level) and to the current rate of 89¢ (which would reduce the average residential tax bill by 7 percent).

Conclusion

Mr. Chairman and members of the Board, I believe this 2008 proposed fiscal plan provides us with a foundation and the resources we need to continue to address our most pressing challenges and help maintain our high quality of life. However, because of budget constraints, many important initiatives and funding requests are not proposed. So as we celebrate our 250th anniversary and move toward the future, we must continue to seek the very best and most efficient ways to utilize our limited funds. We need to promote and cultivate an environment for County employees that will continue to encourage them to be innovative and creative in the ways we deliver our services and reward them for doing so. We need to continue to deploy and

effectively utilize advanced technology to deliver our services and we need to find more ways to encourage and facilitate community involvement and partnerships to help us solve our most pressing challenges.

Public Input

Public input is a critical part of the budget review process, beginning with a public hearing scheduled for February 28th at 3:00 p.m. in the Board Room and continuing at 6:30 p.m. after a dinner break. The public hearing will continue at 6:30 p.m. on March 1st, if necessary. There will be a budget worksession with the School Board on March 8th and the Board's budget worksessions are slated to begin on March 12th.

Let me take this time to thank all those who have helped me with the process this year, to include Department Heads and their key staff. Special thanks to the Budget staff and staff in County Administration.